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SUBJECT: BOSNIA - SCENESETTER FOR THE JUNE 24-25 PEACE IMPLEMENTATION COUNCIL

Classified By: Ambassador Charles English. Reasons 1.4(b) and (d).

¶1. (C/NF) SUMMARY: The June 24-25 Peace Implementation Council (PIC) will take place in the warm glow of Bosnia's June 16 signing of its Stabilization and Association Agreement (SAA) with the EU. Though this fulfills one of the two conditions set by the PIC in February for closure of OHR. Progress in other five specific objectives has been slow, though the HighRep believes the fiscal sustainability objective could be complete before the PIC. Though the mood among Bosnians has improved since February, and the SAA signing is welcome news, two important fundamentals have not changed: 1) the state still struggles to perform the functions necessary to sustain itself; and, 2) the country remains deeply divided along ethnic lines. The Russians, who no longer play a constructive role in Bosnia, have signaled that they may transform what should be a relatively uneventful PIC into a stormy re-hash of the February debate over a conditions-based versus a time-based approach to OHR's closure. If this occurs, we may find ourselves battling Lajcak's instincts to secure consensus at all costs. We will need to repeat what we told him in Washington: the U.S. will not accept a lowest common denominator definition of success even if that means accepting a Russian footnote in the communique. We will also need to reiterate the importance we place on meaningful implementation of the PIC conditions and objectives and the need for OHR to confront challenges from local political actors to state-level institutions as well as their efforts to roll back previous reforms. END SUMMARY

The PIC in Context

¶2. (C) The PIC will take place just over one week after Bosnia signed its long-awaited Stabilization and Association Agreement (SAA) with the EU, but there is little awareness among the political class or Bosnia's citizens of the daunting task implementation presents. According the Council of Minister's EU Integration Directorate, Bosnia, among other things, should now implement 30 concrete measures prior to the end of September. EUSR officials' private assessment is that the RS is likely to block at least eight of these. Dodik's recent pronouncements about EU integration and attacks on the EU Integration Directorate have also raised concerns about his intentions vis-a-vis SAA implementation. At the same time, EU diplomats have emphasized that SAA implementation will depend on the Bosnians, suggesting that they are unprepared to facilitate or forge compromises among the country's three constituent peoples. With all this in mind, we continue to urge caution about assuming that the "pull" of Europe or that European leadership are sufficient to overcome Bosnia's deep ethnic divisions or dysfunctional state structure.

The Russians: From Friend to Foe

¶13. (C) Despite their agreement at the February PIC to the conditions and objectives for OHR's closure, the Russians have signaled that they may try to revisit the issue at this PIC. We understand that their aim would be to secure a commitment -- perhaps informally, or perhaps in the communique -- to set a timeline for OHR's closure at the October PIC. It is unclear how hard the Russians will press their case, but we should be prepared for a vigorous push given Russian conduct over the last several months, particularly at meetings of the Steering Board Ambassadors (SBA). At these meetings the Russians have regularly warned OHR not to pressure the Bosnian Serbs and staunchly defended Dodik's anti-Dayton rhetoric. Many of the Russian interventions have taken the form of long, prepared statements, which suggests the Russian Ambassador has been speaking under instruction.

¶14. (C/NF) The Russians have also taken positions on issues confronting OHR and the SBA that appear designed to accomplish little more than complicate the international community's work in Bosnia. The most notable was Russia's opposition to the Srebrenica election deal, which the U.S.-brokered and which Dodik supported. The Russian decision to recognize the contribution of RS war veterans to the "Homeland Defense War," as many Serbs refer to the 1992-1995 war, by presenting the RS Veterans Association with the Order of Dimitri Dunska, underscores Russia's transformation from partner to problem in Bosnia. Russia's unhelpful approach to Bosnia has not gone unnoticed within the SBA, but many have thus far been unprepared to confront the Russians. Nonetheless, we can expect Turkish and British help pushing back Russian attempts to water down the PIC's conditions-based approach to OHR closure and/or substitute a time-based approach.

Lajcak and Consensus

¶15. (C/NF) Lajcak is concerned about the potential for Russian trouble making at the PIC, but he does not seem prepared to forcefully counter it himself. Instead he seems inclined to stress the importance of consensus even at the expense of sacrificing substance. This approach may have some sympathy among some of the Europeans, but the Turks, extremely unhappy with Lajcak's performance in recent months, have made clear that they are not prepared to accept consensus for consensus' sake. (Note: The Turkish Ambassador recently suggested that Lajcak had been deliberately gilding his reports to the SBA on Bosnian political development and called on him to provide the SBA with "more thorough assessments" of events in Bosnia, adding that Turkey wanted "the real picture." End Note) We need to repeat to Lajcak the message we delivered to him in Washington: we will not accept a lowest common denominator definition of success even if that means accepting a Russian footnote in the communique. We will probably need to make this point on the margins of the PIC to several European delegations as well.

The Conditions and Objectives: A Scorecard

¶16. (C) In February the PIC set two conditions and five objectives for closure of OHR and transition to EUSR. One of the two conditions, the signing of the SAA, has been met, but objective observers would agree that Bosnia has not met the second condition "a positive assessment of the situation in BiH...based on full compliance with the Dayton Peace Agreement." Republika Srpska (RS) politicians continue to fuel Bosnian Serb nationalism by blocking state building initiatives, seeking to reverse reforms, and attacking the legitimacy of the Bosnian state. Bosniak political leaders continue to pursue politically-impossible dreams at the expense of tangible progress in a manner that has radicalized Bosniak politics, and the Croats remain fixed on what amounts to a third entity. We expect Bosniak, Croat and Serb

nationalist rhetoric to rise in coming months as political parties began to campaign in earnest for the October 5 municipal elections. The summer holidays and fall election campaign also make it unlikely that there will be much progress on the objectives between the June and October PICs.

¶17. (C) Progress on the PIC's specific objectives has been slow. A quick scorecard follows. OHR has promised to provide a more detail scorecard to delegations during the PIC.

-- Acceptable and Sustainable Resolution of State Property: No progress. Disconcertingly, the Russians have been privately echoing the Serb line that Dayton granted all former Yugoslav state property to the entities.

-- Acceptable and Sustainable Resolution to Defense Property: Moveable property has been resolved; though a key test of its sustainability will come later this summer when the army relocates air defense equipment from the RS to around Sarajevo. There has been no progress on immovable defense property.

-- Completion of the Brcko Final Award: The U.S. and OHR have collaborated to prepare a draft Law on Brcko and draft constitutional amendments. Quiet consultations with political parties are underway, but Silajdzic has signaled that he is likely to oppose the amendments.

-- Fiscal Sustainability: Parliament may adopt the Law on a National Fiscal Council prior to the PIC, but the prospects for an agreement on a permanent ITA coefficient prior to the PIC are rapidly receding.

-- Rule of Law: The Law on the Stay and Movement of Aliens and Asylum has been adopted; we are now working with OHR on the associated rule books. A National Justice Reform Strategy has been finalized; it must now be approved by the CoM, the entities and Brcko. The National War Crimes Strategy is still in the drafting stage.

Lajcak: Stiffening his Resolve on the Objectives

¶18. (C/NF) OHR's primary agenda remains implementation of the PIC conditions and objectives. OHR staff have urged Lajcak to develop strategies to do this, underscoring the importance of securing political agreement on "the easiest objectives" early (i.e., fiscal sustainability) in order to marshal political capital needed to secure agreement on the more sensitive objectives (i.e., state property, immovable defense property, Brcko, and potentially, adoption of the National War Crimes Strategy). Thus far Lajcak has engaged on the objectives in an ad hoc fashion, if at all. Instead, he has complained privately that OHR is "unable to deliver" and implied that he is prepared to accept less than full implementation of the remaining objectives. We must make clear to Lajcak that we expect a) OHR to engage on the objectives (as well as to actively defend reforms that have already been implemented), and that b) the objectives' implementation will be consistent with the overall goal of entrenching reform and ensuring Bosnia meets its commitments for Euro-Atlantic integration. This language comes straight from the February communique. We should ensure that it and the February language requesting the HighRep "to undertake all appropriate measures to ensure the above objectives are met" are repeated.

Messages for the Government and Party Leaders

¶19. (C) The PIC will hold its usual meetings with Bosnian government and political party leaders, and we will also have bilateral meetings with key political leaders prior to the PIC. At the PIC, we will want to congratulate them on the SAA signing (as well as Bosnia's invitation from NATO to participate in an Intensified Dialogue), but we should also be clear that further progress towards Euro-Atlantic integration will require much greater effort on their part. They cannot, as they have for the last two years, focus their time and energy on issues that divide the country. Nor can they spend their time exchanging bitter polemics over each

reform, as they did with police reform. We should underscore that the invitation to join NATO's Intensified Dialogue and the signing of the SAA present Bosnia's government and political leaders with an opportunity to move beyond the divisive and destructive politics of the last two years, and stress that we are prepared to work with them if they seize it. In our private exchanges with Bosnian political leaders, we should forcefully reiterate the messages we delivered publicly to them in the Ambassador's May 11 speech to the NGO Circle 99. This is particularly important with RS PM Dodik and Bosniak member of the Tri-Presidency Silajdzic, who have tried to drive wedges between the Embassy and Washington. Finally, an exchange with Tihic, who may miss the PIC due to ongoing medical treatment in Ljubljana, should include a clear message about the importance of his party selecting a candidate for the Srebrenica mayoralty capable of helping Srebrenica heal its wounds.

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